Supreme Court, U.S.
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No. 01-1376

IN THE

Supreme Court of the United States

FUJI PHOTO FILM CO., LTD.,

Petitioner,

v.

JAZZ PHOTO CORPORATION
AND DYNATEC INTERNATIONAL, INC.,

Respondents.

On Conditional Cross-Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the replacement of film and battery in a patented camera, which is sold preloaded with film free and clear and without restriction by the patent owner, amounts to reconstruction of an entirely new camera on the template of the original.

2. Whether the patent owner may prevent reuse of a product that is sold free and clear simply by drafting claims in method format rather than apparatus format.

LIST OF PARTIES

In addition to the parties named in the caption, Opticolor, Inc. was a respondent before the International Trade Commission and an appellant before the United States Court of Appeals for the Federal Circuit. The following additional parties were respondents before the International Trade Commission but were not appellants before the Federal Circuit:

Achiever Industries Ltd.
Ad-Tek Specialties Inc.
AmerImage, Inc. d/b/a Rainbow Products
Argus Industries
Boechs Camera LLC
Boshi Technology Ltd.
BPS Marketing
China Film Equipment Corp.
E.T. Trading Ltd. d/b/a Klikit
Fast Shot
Forcecam, Inc.
Haichi International Inc.
Innovative Trading Co.
Labelle Time, Inc.
Linfa Photographic Ind. Co. Ltd.
Opticam Inc.
P.S.I. Industries, Inc.
Penmax, Inc.
PhilmEx Photographic Film
Rino Trading Co., Ltd.
Sakar International, Inc.
T.D.A. Trading Corp.
Vantage Sales, Inc.
Vivitar Corporation.

RULE 29.6 STATEMENTS

Respondent Jazz Photo Corporation ("Jazz Photo") has no parent corporation, and no other publicly held corporation owns more than 10% of its stock. Respondent Dynatec International, Inc. ("Dynatec") has no parent corporation, and no other publicly held corporation owns more than 10% of its stock. Dynatec has filed for bankruptcy, and its successor in interest with regard to the ongoing business concerns at issue in this case is Grandway U.S.A Corporation ("Grandway"). Grandway has no parent corporation, and no other publicly held corporation owns more than 10% of its stock. On May 13, 2002, Grandway filed a motion with this Court requesting that Grandway be substituted in the place and stead of Dynatec in case number 01-1158.

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STATEMENT OF THE CASE

Petitioners rely on the statement of the case presented in their own petition for certiorari.

REASONS FOR DENYING THE CONDITIONAL CROSS-PETITION

The two questions presented by Fuji Photo Film Co., LTD's ("Fuji") conditional cross-petition are not remotely worthy of this Court's review. Not only were the Federal Circuit's rulings on these issues correct, but, as is evident by Fuji's own convoluted statement of the issues (Cross-Pet. 2-3), these are inherently factbound questions of no importance to anyone except the parties to the proceedings below. Fuji presents no conflict of authority; to the contrary, the Federal Circuit directly relied on all the precedents that Fuji now states the court below "overruled," *id.* at 11. See Petition Appendix ("Pet. App.") 9a-17a. At bottom, Fuji claims (wrongly) that the Federal Circuit misconceived the evidence before (and findings of) the International Trade Commission ("ITC") and misapplied the precedents. This Court has admonished that "[a] petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law." Sup. Ct. R. 10.

On the first question presented, the Federal Circuit correctly applied a long, uninterrupted, and consistent body of case law from this Court as well as the Federal Circuit in holding that petitioners were not "reconstructing" or "making entirely anew" a camera when they simply replaced the unpatented and expendable film, paper label, and where necessary, a battery, in a camera containing many dozens of electronic and mechanical parts. The first complaint voiced by Fuji is that the Federal Circuit allegedly "overruled" prior case law on reconstruction by applying the repair doctrine to

articles that were fully "spent." This is simply wrong; the Federal Circuit specifically held (in line with this Court's precedent) that whether refurbishment of an article was permissible repair depended on the remaining useful capacity of the item (i.e., whether it is spent) and the nature of the replacement parts and process. Pet. App. 16a. In this case, the court of appeals determined based on the evidence of record that the processed lens-fitted film packages (LFFPs) retained useful capacity as a camera, and that under its precedents and those of this Court the process associated with the reloading of film and changing of batteries was permissible repair under the patent laws. *Id.* at 9a-18a.

Fuji thus manufactures its claim of a cataclysmic change in patent law based on a misreading of the opinion below. In the end its claims dwindle to a factual dispute about whether processed LFFPs are spent.

Fuji's related argument that reconstruction had to be determined not based on principles of patent exhaustion, but on an implied-in-fact license from the vendor as to the permitted use of the article, is unsound and was directly rejected by this Court in *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964). Nothing in the repair ruling below requires this Court's intervention, as the issue involves no error of law and no conflict of authorities, has no general importance, and has at best limited effect on how the precedent would be applied to some other specific future refurbished product.

On the second question presented, Fuji complains that the Federal Circuit improperly applied the repair doctrine to a method claim. Fuji's contention that the ruling below conflicts with prior Federal Circuit precedent is baseless; none of those cases deals with methods used to manufacture the patented article in which rights have been exhausted. The Federal Circuit's opinion fully conforms with prior precedent on the subject, and recognizes the practical reality that patent claims can be, and usually are, drafted in both method and apparatus format to protect any particular invention.

Moreover, as more fully discussed below, Fuji's rights are substantially identical whether the invention is protected by method or apparatus claims. It would truly elevate form over substance if the same invention, which provides the same economic incentive for research and development and the same reward to the patent owner, could be subject to patent exhaustion differently depending upon the particular interchangeable format selected in drafting the patent claims.

I. THE FEDERAL CIRCUIT'S DECISION ON CAMERA REPAIR IS NOT WORTHY OF THIS COURT'S REVIEW.

Courts have recognized for over a century that once a patented device is sold, the patent owner's rights are exhausted and all subsequent owners of the device have the right to use the product for its entire useful life, including the right to repair that product. The right to "make" however, remains with the patent owner. See, *e.g.*, *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 346 (1961) ("*Aro I*"); *Wilson* v. *Simpson*, 50 U.S. (9 How.) 109, 125-26 (1850); *Hewlett-Packard Co.* v. *Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1451 (Fed. Cir. 1997). In *Aro I*, this Court adopted the following test, which is the controlling standard for this proceeding:

> The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, *is limited to such a true reconstruction of the entity as to "in fact make a new article," after the entity, viewed as a whole, has become spent. In order to call the monopoly conferred by the patent grant[] into play for a second time, it must, indeed, be a second creation of the patented entity* .... Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

365 U.S. at 346 (emphasis added; citations omitted). The Court held in *Aro I* that the replacement of worn-out fabric in patented convertible automobile tops did not constitute reconstruction of the patented combination. *Id.* It specifically rejected the "heart of the invention" test, holding: "No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and *no matter how costly or difficult replacement may be*." *Id.* at 344-45 (emphasis added).

A few years after the *Aro I* decision, this Court revisited the repair doctrine and again rejected a patentee's claim of infringement. In *Wilbur-Ellis*, defendant purchased second-hand fish-canning machines that were "regarded as 'junk'" and had been unused for years. *Kuther* v. *Leuschner*, 200 F. Supp. 841, 844 (N.D. Cal. 1961), *aff'd*, 314 F.2d 71 (9th Cir. 1963), *rev'd sub nom. Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964). The machines were so corroded and rusted that extensive cleaning and sandblasting was necessary to make them operable. 377 U.S. at 423. Originally, the machines were designed for canning one-pound cans, but some corrosion was so severe the only way to make the machines work was to convert the machines to five-ounce cans. *Id.* Numerous elements of the patented combination were resized or relocated and the refurbished machines were different from the new ones. The machines had been procured after being discarded as junk. This Court concluded this was repair, not reconstruction. *Id.* at 424. It held: "Petitioners in adapting the old machines to a related use were doing more than repair in the customary sense; but what they did was kin to repair for it bore on the useful capacity of the old combination, on which the royalty had been paid." *Id.* at 425.

As *Aro I* and *Wilbur-Ellis* demonstrate, and as the Federal Circuit has noted repeatedly, "[t]he Supreme Court has taken an *expansive view* of conduct that constitutes permissible repair of a patented combination of unpatented elements."

Sage Prods. Inc. v. *Devon Indus., Inc.*, 45 F.3d 1575, 1578 (Fed. Cir. 1995) (emphasis added). See also, *Aktiebolag* v. *E.J. Co.*, 121 F.3d 669, 672 (Fed. Cir. 1997); *Kendall Co.* v. *Progressive Med. Tech., Inc.*, 85 F.3d 1570, 1574 (Fed. Cir. 1996). The decisions of the Federal Circuit also show that the bounds of permissible repair are extremely broad and encompass every type of activity other than fully making a new product.

This sweeping application has allowed the following activities under the repair doctrine: full disassembly into component parts and mixing and matching parts (*General Electric Co.* v. *United States*, 572 F.2d 745, 780-81 (Ct. Cl. 1978) (per curiam); *Dana Corp.* v. *American Precision Co.*, 827 F.2d 755, 756-57 (Fed. Cir. 1987)), grinding (*Wilbur-Ellis*, 377 U.S. at 423), sand-blasting (*Wilbur-Ellis*, *id.*), changing parts of the patented combination – including "key" parts (*Aro I*, 365 U.S. at 344; *Dana*, 827 F.2d at 756-57), changing shapes of things (*Wilbur-Ellis*, 377 U.S. at 423; *Hewlett-Packard*, 123 F.3d at 1449), refurbishing machines for a use not possible when the machines were originally sold, (*Wilbur-Ellis*, 377 U.S. at 423), disassembling the parts down to all their components, separating the components, and mixing parts from different products to be refurbished before reassembling the products (*General Electric*, 572 F.2d at 780-81; *Dana*, 827 F.2d at 756-57), implementation of an assembly line to disassemble and repair products (*Dana*, *id.* at 759), cracking welds (*Hewlett-Packard*, 123 F.3d at 1449), refurbishing in a manner not intended or contemplated by the patent owner, (*Hewlett-Packard*, *id.* at 1448; *Wilbur-Ellis*, 377 U.S. at 423), refurbishing previously discarded products regarded as junk by the original owners (*Dana*, 827 F.2d at 756-57; *Wilbur-Ellis*, 377 U.S. at 423; *Champion Spark Plug Co.* v. *Emener*, 16 F. Supp. 816, 819 (E.D. Mich. 1936)), placing adapters onto used products to make them work with nonconforming parts never intended to be used with the product (*Everpure, Inc.* v. *Cuno, Inc.*, 875 F.2d 300, 301

(Fed. Cir. 1989); *Surgical Laser Technologies, Inc.* v. *Surgical Laser Products, Inc.*, No. CIV. A. 90-7965, 1992 WL 245892, at *1 (E.D. Pa. Sept. 16, 1992)), reusing items that reached the end of their economic life but maintained useful physical capacity (*Micromatic Hone Court* v. *Mid-West Abrasive Co.*, 177 F.2d 934, 936 (6th Cir. 1949); *Dana*, 827 F.2d at 756-57), and disregarding single-use only labels (*United States Surgical Corp.* v. *Orris, Inc.*, 5 F. Supp. 2d 1201, 1203 (D. Kan. 1998), *aff'd*, 185 F.3d 885 (Fed. Cir. 1999) (table) (per curiam)). These illustrate the broad scope of the right of repair. In short, courts repeatedly have recognized that to be a reconstruction, the defendant must truly "make" a product, similar to the way a new product is manufactured.

Here, the Federal Circuit did no more than correctly apply this body of case law, and specifically disavowed any notion that it was establishing a general bright-line rule, repeating the admonition that "it is impracticable, as well as unwise, to attempt to lay down any rule on this subject, owing to the number and infinite variety of patented inventions." Pet. App. 10a (quoting *Goodyear Shoe Mach. Co.* v. *Jackson*, 112 F.146, 150 (1st Cir. 1901)); see also *FMC Corp.* v. *Up-Right, Inc.*, 21 F.3d 1073, 1079 (Fed. Cir. 1994) ("Each case, as it arises, must be decided in light of all the facts and circumstances presented ... the scope, nature, and purpose of the patented invention .... specification and claims of the patent, together with the condition of decay or destruction of the patented device or machine").

Fuji nonetheless implausibly insists that the Federal Circuit established a "line so bright as to overrule every case that has ever found reconstruction," Cross-Pet. 12. That is a distortion of the ruling below. The Federal Circuit did not hold, implicitly or explicitly, that the right to repair persists "after the entity, viewed as a whole, has become spent," *Aro I*, 365 U.S. at 346; *Wilbur-Ellis*, 377 U.S. at 425 (repair must bear "on the useful capacity of the old combination" of elements).

To the contrary, the Federal Circuit specifically held that the repair doctrine "requir[es] consideration of the remaining useful capacity of the article, and the nature and role of the replaced parts in achieving that useful capacity." Pet. App. 16a. The Federal Circuit thus pointedly did not ignore whether the product was spent, but analyzed both the condition of the article and the nature of the refurbishing process to determine if reconstruction of an entirely new article occurred, just as *Aro I* instructs. 365 U.S. at 346. Here, the Federal Circuit held, based on the evidence of record, that a processed LFFP retains useful capacity as a camera, agreeing with petitioners that "all of the original components of the LFFP except the film and battery have a useful remaining life, and are reused." Pet. App. 16a. Thus, the court of appeals properly concluded that "[o]n the totality of the circumstances, the changes made by the remanufacturers all relate to the replacement of the film, the LFFP otherwise remaining as originally sold." *Id.* at 17a. It is precisely because the LFFP as a whole was not spent, and because it "otherwise [remained] as originally sold," that it retained capacity for use as a camera once limited repairs were conducted. This is why the Federal Circuit ruled as it did.

Fuji has no basis for quarrelling with the Federal Circuit's determination that the LFFP was not spent. The Federal Circuit relied upon prior precedent to determine that a camera was not spent when it needed only new film and a battery. The precedent was properly relied upon because the camera being repaired was far less worn out or spent than, for example, canning machines that were completely inoperable due to most parts being rusted and corroded (*Wilbur-Ellis*, 377 U.S. at 423), or gun mounts that required full disassembly and replacement of numerous components to work again (*General Electric*, 572 F.2d at 780-81). The Federal Circuit properly determined that the activities in question, merely replacing film, battery, where necessary, and

a paper label, could not amount to rebuilding an entire camera if the complete disassembly, resizing, replacing of several parts with new ones, and rebuilding of machines, was repair.

Nor did the Federal Circuit look solely to the lack of complexity of the process used by the reloading facilities, as Fuji complains. Rather, the Federal Circuit held that a camera that is capable of functioning with only new film and battery is not spent. The fact that the Federal Circuit so held by stating that the replacement of film, battery and a label did not amount to reconstruction, rather than by stating that a camera needing only film, battery and paper is not spent is mere semantics. Whether a refurbishing process amounts to reconstruction, or whether the item being refurbished is spent, are merely "two sides of the same coin." *Dana*, 827 F.2d at 759. In any event, the factbound dispute of whether a processed LFFP is "spent" is not the type of issue that this Court sits to review. The claimed conflict with precedent is a phantom.

Nor does Fuji's attempted reliance on *Cotton-Tie Co.* v. *Simmons*, 106 U.S. 89 (1882), dictate a different result. *Cotton-Tie* involved a product that had one major part and one minor part, a band and a buckle used to tie cotton bales. The key fact in *Cotton-Tie* was that, once the original cotton band was severed at the cotton mill, "[i]ts capacity for use as a tie was voluntarily destroyed." *Id.* at 94. For the reconditioned ties, the major part – the band – was not reused, but was replaced by patching together various pieces of used band. *Id.* at 91. Nearly the entire patented item was being rebuilt. Here by contrast, the capacity of the LFFP for use as a camera is not destroyed when the photoprocessor opens the case to remove the film; the processed LFFP still has full capacity for use as a camera and simply needs new film and a battery, which are always replaceable parts in any camera. *Cotton-Tie* thus involves readily distinguishable facts; the ruling below is in no way contrary to it; and regardless this

Court does not sit as a court of error to review claimed misapplication of its precedents to particular facts.

Cotton-Tie is helpful in showing that the proper analysis depends upon the specific invention, how the claims are drafted, and the type of product in issue, which is the same analysis followed by the Federal Circuit in this case. Fuji attempts to characterize *Cotton-Tie* and other cases as standing for the proposition that an item is "spent" when the item "ha[s] fulfilled the original purchaser's expectations," Cross-Pet. 20, and more broadly argues that the permissibility of repair depends not on patent exhaustion but whether the vendor granted an implied-in-fact license to use the good for a specific and limited purpose. *Id.* at 15-18. But this Court directly rejected that argument in *Wilbur-Ellis*.

In *Wilbur-Ellis*, machines were originally sold for the purpose of packing fish into one-pound cans. As noted above, the machines had been abandoned in a factory, sold as junk to a liquidator, and sold again to another party, before being adapted (by substantial refurbishment and resizing of machine elements) to a completely different use from that contemplated at the time of the first sale (the packing of five-ounce cans). 377 U.S. at 423. The patentee argued that because the original use was for one-pound cans, and the machines were spent for that purpose, reconditioning the machines to pack five-ounce cans amounted to reconstruction of a new article; the Court was "asked in substance to treat the case as if petitioners [(the refurbishers)] had a license for use of the machines on '1-pound' cans." *Id.* at 425. But this Court rejected this same implied-in-fact license argument Fuji asserts here, holding instead that because the first sales were "outright, without restriction," the patentee had parted with all rights (*i.e.* exhausted those rights) and the implied license to use thus passed as a matter of law under *Adams* v. *Burke*, 84

U.S. (17 Wall.) 453, 456 (1873).[1] See 377 U.S. at 425. This holding was made despite the fact that neither the original seller nor buyer had contemplated, either expressly or impliedly, that the machines could be used for different sized cans.

Thus, directly contrary to Fuji's claims, Cross-Pet. 18, it is the exhaustion doctrine (and not an implied-in-fact license based on the putative expectations of the purchaser) that determines the scope of permissible repair, and conveys "the right 'to give duration to that which he owns, or has a right to use as a whole.'" *Aro I*, 365 U.S. at 343.[2] In fact, Fuji's argument that the "implications" of the original sale were "for single use only," and that the Federal Circuit should therefore have examined whether the right to reuse can be implied from the facts and circumstances of that sale is virtually identical to the reversed court of appeals opinion in *Wilbur-Ellis*, which held that the facts surrounding the original sale gave rise to an implied license to use only "one pound" cans, and thus, no implied license to modify the machine for use on five-ounce

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[1] This Court's decision in *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 484 (1964) ("*Aro II*"), which Fuji erroneously cites in support of its implied-in-fact license theory (Cross-Pet. 17), is referring to the implied license to use as a matter of law created by an unrestricted sale under the exhaustion doctrine. *See* Pet. 13-14.

[2] Exhaustion creating an implied license to use an invention is the default rule when there are no restrictions in the sale, but it is well settled the parties by agreement can overcome the default rule and agree upon restrictions on the owner's use or resale of the patented article. Such a limited license may be either express or implied from the circumstances of a sale, but the Federal Circuit ruled that no such restrictions on the exhaustion of rights could be implied from the first sale of LFPPs. Pet. App. 18a-20a. Fuji contests this holding on the bizarre and unsupported claim that implied-in-fact licenses are not contracts requiring a meeting of the minds. But as the Federal Circuit ruled, implied-in-fact licenses are clearly contracts, and all contracts (express or implied in fact) require a meeting of the minds. *Id.* at 20a (citing *Hercules, Inc.* v. *United States*, 516 U.S. 417, 424 (1996)).

cans was granted. *Kuther* v. *Leuschner*, 314 F.2d 71, 73 (9th Cir. 1963). That decision was reversed by this Court, despite this Court's full acceptance of the facts found regarding the circumstances of the first sale.[3]

The rule proposed by Fuji, and previously rejected by this Court, would require subsequent owners of all used products, and the courts, to determine what was intended and expected by the patent owner at the time of the first sale. As Justice Black noted in *Aro I*, "surely the scope of a patent should never depend upon a psychoanalysis of the patentees' or purchasers' intentions." 365 U.S. at 355 (Black, J., concurring). Rather, property rights demand certainty, and once the patent owner sells the product without restriction, subsequent purchasers are under no obligation to assess whether the patent owner intended or expected some other use of the product that the patent owner may subsequently choose to disavow.

In summary, the Federal Circuit properly applied a long line of precedent to the specific patent claims and products in issue here, and correctly determined that the mere replacement, after the last picture was snapped, of film and battery in a camera that was perfectly functional both before and after that last picture was taken did not amount to the reconstruction of the entire camera. There was nothing improper about such an analysis; there is no inconsistent precedent from this Court or any other Circuit; and nothing the Federal Circuit did requires this Court's intervention. Moreover, Fuji's claim that repair rights depend upon uses contemplated, pursuant to a theory of noncontractual implied-in-fact licenses, is inconsistent with the precedents of this Court.

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[3] Numerous other cases subsequent to *Cotton-Tie* have upheld a subsequent purchaser's right to repair the item after the first purchaser finished using the product. *Dana*, 827 F.2d at 758-60; *Champion*, 16 F. Supp. at 821-22 (Discarded spark plugs collected from service stations after being thrown out may be permissibly repaired.).

II. THE METHOD PATENT INFRINGEMENT ISSUE DOES NOT WARRANT THIS COURT'S REVIEW.

In its second question presented on infringement of its method patents, Fuji attempts to conjure up a conflict with prior Federal Circuit precedents by misstating those authorities, which have nothing to do with the exhaustion of patent rights in the methods used to manufacture the article sold. There is no conflict whatsoever, and the Federal Circuit's holding that patent rights in the method for loading film into a camera during manufacture are exhausted by an unrestricted first sale, such that a subsequent purchaser may repair the camera by reloading film, is indubitably correct.

Fuji's reliance, Cross-Pet. 22-24, upon *Glass Equipment Development, Inc.* v. *Besten, Inc.*, 174 F.3d 1337 (Fed. Cir. 1999), and *Bandag, Inc.* v. *Al Bolser's Tire Stores, Inc.*, 750 F.2d 903 (Fed. Cir. 1984), is misplaced. In both of those cases, the issue before the Court was whether the sale of an *unpatented* product implied a right for the defendant to practice a patented method *using* that product. In both cases, the unpatented sold product could have been used to practice many different methods, only one of which was patented. Thus, in *Bandag*, the question was whether sale of tire retreading equipment authorized the purchaser to use that equipment to practice a patented method of retreading given that the equipment had many other unpatented uses, 750 F.2d at 924-26; in *Glass Equipment*, the question was whether the sale of hinged corner keys gave the purchaser the right to use those keys to practice a patented method of assembling spacer frames for insulated windows, where the keys could be used for other purposes. 174 F.3d at 1340-41. Under the facts of these cases, the patent owner had not sold a product embodying the patented method to the defendant and thus had never received any compensation for his rights in the method patent in the purchase price of the article. Where the method was not embodied in the article itself, absent other factors, there was no reason to imply that a license to the method had

been granted as a matter of law by the first sale of the product, when the product also had potential noninfringing uses. Notably, under such facts, the patent owner has no right to restrict sales of the product by anyone, since the product is a staple article of commerce suitable for noninfringing uses. 35 U.S.C. § 271(b), (c). His patent is useless against sales of the product.

The facts of the present case are drastically different because, unlike *Bandag* and *Glass Equipment*, this case does not involve a product which is sold and may be used by the defendant to practice any one of several methods, only one of which is patented. Instead, this case involves a patented method used by the patent owner to maintain the exclusive right to *manufacture* the products in issue, and the first sale by the patent owner of those products free and clear of all restrictions.

The distinction is important because (unlike the patentholders in *Bandag* and *Glass Equipment*) Fuji has already received compensation for all of its manufacturing patents, including the method claim, in the price of the product (or in the royalties from licensees who manufacture or sell the product). Fuji is the only entity entitled to sell new products made by this method. No other entity could have manufactured them in the United States, absent a license from Fuji, nor could such product be legally procured from a source in the United States, since this would involve infringement of the method patent. Moreover, even if a defendant made such products outside the United States, it could not import those products because Fuji's method claim may be used to preclude importation of products made by a patented method even when that method was used to make the product abroad. *Id.* § 271(g). Indeed, if this litigation had involved only a single method claim and no other patent rights, Fuji's rights to proceed in the International Trade Commission under 19 U.S.C. § 1337 would have been exactly

the same, and all of the remedies to which Fuji would be entitled would also have been the same.[4]

Accordingly, Fuji's economic position, and the payment to which it is entitled for its patent rights, is exactly the same whether or not its patent was on the camera itself, or on the method used to make all of the cameras at issue. In either case, Fuji may prevent others from selling such cameras in the United States regardless of where they were made, may license other entities to sell the cameras, may sue for infringement if someone sells the cameras, and may prevent manufacture of the camera in issue. This is because for all cameras in issue, importation of the camera means infringement of the method claim.

Indeed, it is common practice to draft patent claims in both method and apparatus format, and many, if not most, United States patents include both apparatus and method claims. Fuji's economic position and incentive to invent based upon the patent laws is identical in either case, and it would thus elevate form over substance if the doctrine of patent exhaustion were applied differently depending upon the rather arbitrary choice of whether the patent draftsman chose to include method claims for the same invention in the patent. Accordingly, the Federal Circuit properly applied this Court's precedent relating to patent exhaustion in a manner that prevents Fuji from collecting plural royalties for the same patent rights.

The remaining case relied upon by Fuji is also inapplicable to the facts here. *Carborundum Co.* v. *Molten Metal Equip. Innovations, Inc.*, 72 F.3d 872 (Fed. Cir. 1995), involved the

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[4] Note that this would not be the case in the situation of *Bandag* or *Glass Equipment*, cited by Fuji, Cross-Pet. 22-24, where the product may be used to practice numerous methods, only one of which was patented. Such product could be freely imported by anyone, since there are numerous noninfringing uses to which it may be put, and the product itself is not patented. 35 U.S.C. § 271(b), (c).

sale of an unpatented product which was used to build a patented combination. The Federal Circuit held that because the patented combination itself had not been sold, patent exhaustion did not occur. *Id.* at 879-80. Notably, the Federal Circuit explicitly stated that if the entire patented combination had been sold, patent exhaustion would have occurred. *Id.* at 879. Therefore, *Carborundum* has nothing to do with whether a method claim is subject to patent exhaustion. *Carburundum* does state that the first unrestricted sale of patented product would automatically exhaust all patent rights, which is what the Federal Circuit correctly held. *Id.*

In the present case, the only use of the camera sold by Fuji is to take pictures. To prevent a party from loading film into the camera would prevent that party from taking pictures after the first roll of film is used up, which would amount to a restriction that the camera may be used only once. But because Fuji's rights under the method claim are essentially the same as if they only had a product patent, allowing such a restriction would violate this Court's precedent set forth in *Aro I*, and *Wilbur-Ellis*, and would impose after the fact restrictions on subsequent purchasers of the product. For example, under Fuji's view, if a carmaker had patented a necessary method for injecting a lubricant into a car engine during its manufacture, no auto repair shop would be able to change that lubricant to ensure that the owner could continue use of the car, even though the carmaker's patent rights were exhausted by the unrestricted first sale of that particular automobile. While a patented method whose sole use is in the repair of a product and which has not been subject to patent exhaustion may provide for a royalty to the patent owner when the repair is performed, that is not the case here. Instead, Fuji seeks to collect a first royalty when the product is manufactured, or equivalently, to keep for itself a monopoly on manufacture of the product through use of its method patent, and then to collect a second royalty under the

same patent when the same product is repaired by the owner. See Pet. 13-16. This is clearly untenable.

Accordingly, the Federal Circuit properly applied the precedent of this Court and its own precedent in rejecting Fuji's position. The purported conflicts of authority that Fuji drums up are nonexistent. The Federal Circuit's application of longstanding law to the facts of this case was proper, and no error requiring this Court's intervention has been shown.

CONCLUSION

Fuji's conditional cross-petition should be denied in all respects.

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